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SUBJECT: ROK-DPRK SUMMIT DECLARATION: AMBITIOUS PLAN WILL  
FACE TESTS

Classified By: POL M/C Joseph Y. Yun. Reasons 1.4 (b/d)

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SUMMARY  
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11. (C) The "Declaration on the Advancement of South-North Korean Relations, Peace and Prosperity" that emerged from the October 2-4 summit between President Roh Moo-hyun and the DPRK's Kim Jong-il is a "Sunshine Policy" manifesto: an action plan for peace-building and engagement that progressives have worked on since Kim Dae-jung was president.

President Roh, probably thinking of his legacy, was determined to put this "Peace and Prosperity" wish list on the table before the end of his term, even at the risk of getting ahead of North Korean denuclearization. The ROK mainstream, including the conservative GNP, has for years accepted the idea of economic engagement with the North. However, early reaction to the summit and declaration has many now saying "not so fast," preferring that further engagement and peace discussions be conditioned on denuclearization, confidence-building measures and increased openness. Even without such resistance, it would be impossible for the Roh administration to implement the eight detailed points (each with several action items) in the Declaration by February 2008, not to mention funding what one research institute estimates as its USD 8 billion price tag. Hence, the next ROK government's point of view will be critical.

12. (C) From the U.S. point of view, the declaration protects our key equity: continued denuclearization under the Six Party framework. Given Roh's careless comments before the summit, this is an acceptable outcome. In addition, ROKG officials confirm that peace discussions would only go forward in consultation with the USG. The declaration does not explicitly link denuclearization and expanded economic cooperation, but President Roh made clear that he saw such a link on his return from the summit and said that Kim Jong-il understood it as well. This message takes an initial look at the October declaration's main points and controversies. End Summary.

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SUNSHINE POLICY COMPENDIUM  
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13. (C) The detailed October 4 "Declaration on the Advancement of South-North Korean Relations, Peace and Prosperity" that

emerged from President Roh's October 2-4 summit with Kim Jong-il was a surprise because the summit, much of it televised live in the ROK, showed the leaders interacting awkwardly, and infrequently. The two met for about four hours on October 3, but Kim seemed to go out of his way to avoid Roh, skipping both dinners and the Arirang Festival. After the baffling televised exchange where Kim invited Roh to stay an extra day, only to have Roh demur, one could have imagined the summit breaking up without any agreement.

¶4. (C) The long declaration was also a surprise given the five months Roh has left in office and the 11 weeks until the presidential election. Its level of detail reflects President Roh's and Minister of Unification Lee Jae-joung's determination to expand cooperation with the North before the clock runs out. However, it is not a change in direction, because both Kim Dae-jung's Sunshine Policy and Roh's Peace and Prosperity policy call for expanding economic cooperation with the North not as a reward for DPRK reform, but as a project for stabilizing the North and preparing for eventual reunification. The new aspect of the October 4 Declaration, the call for peace regime discussions, is seen here as an effort to boost liberals' prospects in the presidential race.

¶5. (C) A key point is that the October 4 Declaration is a list of follow-up items, rather than a list of agreements. Even where the text says, "The South and North have agreed to...", the actual agreements are to be determined, and will therefore face public scrutiny and, in many cases, funding challenges.

¶6. (C) ROKG officials and the ROK public alike are beginning to digest and analyze this ambitious declaration. The following is post's early assessment of the declaration,

highlighting controversial areas.

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POINT 1: UPHOLD JUNE 15 DECLARATION (ON UNIFICATION)  
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¶7. (C) This point's language comes almost verbatim from the June 15, 2000 Declaration. It is not controversial, although we note the irony of the call to commemorate the June 15 anniversary of that declaration since the attempted commemoration this year ran aground after the DPRK refused to let National Assembly members from the GNP Party be seated in the front rows of a Pyongyang auditorium.

¶8. (C) This item contains the only reference to unification in the October 4 Declaration, and unification was apparently barely mentioned at the summit. That's realistic, because most South Koreans see unification as a distant (20 years plus) prospect, or are against it, and the North's vision of unification envisions preserving its dictatorial government. Hence, for the ROK and DPRK to put less emphasis on empty unification rhetoric is a healthy sign.

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POINT 2: MUTUAL RESPECT, TRANSCENDING IDEOLOGY  
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¶9. (C) This section reaffirms the common principle of developing inter-Korean relations to one of mutual respect and trust, which would transcend "differences in ideology and systems." This is nothing new, drawn from past inter-Korean agreements including the 1992 "Agreement on Reconciliation, Non-aggression and Exchanges and Cooperation between the South and North," called the Basic Agreement, and the 2000 Declaration. Notably, the ROKG's explanatory materials for the summit say that Roh decided to accept the North's proposal to watch the Arirang Festival based on this point's call for "mutual respect," so Roh can claim he walked the talk.

¶10. (C) This point is attracting attention because it says that the two Koreas will "overhaul their respective legislative and institutional apparatuses." The ROKG has not

yet explained what this means. However, because it implies the abolishment of the South's National Security Law (NSL) and the North's Korean Workers' Party Pact -- an issue that remains a cause of hot ideological debate in South Korea -- there is concern. Many see that law (which prohibits most mentions of the North or travel there, except with special permission) as an anachronism, but conservatives place importance on preserving it until the North revises corresponding policies. The item also revisits the idea of parliamentary exchanges, written into previous agreements but never carried out.

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POINT 3: END MILITARY HOSTILITIES  
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¶11. (C) This point is important because it refers to confidence-building measures (CBMs) which many see as the key to establishing peace. However, most of the language on ending military hostilities and easing tensions and not antagonizing each other is a recap of the Basic Agreement (e.g., Article 3, "The two sides shall not slander or vilify each other"). Blue House officials told us before the summit that Roh would propose a mutual withdrawal of guard posts from the DMZ, and press reports cited a Roh plan to declare the DMZ a "Peace Zone," but ROKG officials said that CBM discussions were instead deferred to Defense Minister talks, expected to be held in Pyongyang in November.

¶12. (C) The proposed "joint fishing area" in the West Sea listed in this item has drawn considerable attention because some South Koreans see it as undercutting the Northern Limit Line (NLL). However, the ROKG has long proposed the idea of joint fishing zones in the West Sea so that ROK and DPRK fishermen can exploit resources now being taken by Chinese vessels, but the DPRK has always insisted instead on re-negotiating the entire NLL. As part of the proposed "West Sea Special Zone for Peace and Cooperation" (see para. 18), this item has attracted attention because it would allow civilian North Korean vessels to sail directly to the (to be

determined) fishing areas south of the NLL, without circumnavigating the NLL as is currently required. Conservative Chosun Ilbo newspaper argued on October 5 that this would begin to undermine the NLL, so this proposal will face resistance.

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POINT 4: PEACE REGIME  
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¶13. (C) Roh sent strong signals that peace would be his priority at the summit, so the inclusion of this point is not a surprise. The concept is not new (Article 5 of the Basic Agreement said in part, "The two sides shall endeavor together to transform the present state of armistice into a solid state of peace.") but the call for the leader of the "three or four parties directly concerned to convene on the Peninsula and declare an end to the war" has received the most attention. Conservative editorials have noted that Roh is getting ahead of denuclearization with such a statement. But Roh suggested that he was sensitive to such concerns in his televised remarks when he returned to Seoul on October 4, saying that his government's policy was to move on to the peace mechanism once the nuclear issue is resolved, that Kim Jong-il made clear his intention to abolish its nuclear weapons program, and that the two "once again confirmed" the "existing agreement regarding the denuclearization of the Korean peninsula."

¶14. (C) The statement also raised questions because of the cryptic "three or four parties." MOFAT officials told us that this language was at the suggestion of the Blue House, from Roh himself. The reasoning is not clear, possibly to suggest the exclusion of China from peace discussions, but possibly also to lay down a marker that four is the upper bound, to be sure that Japan is excluded. The statement has sparked confusion, leading National Assembly members to ask

publicly what it means, so the ROKG will probably have to clarify this at some point.

¶15. (C) At the working level, MOFAT and Ministry of Unification contacts ensured us before the summit that there was no concrete effort underway to prepare for peace talks. MOFAT's Director of the new Peace Regime Division said that his office is waiting for results from the denuclearization divisions, down the hall, before it embarks on peace talks planning. Senior ROKG officials have repeatedly ensured us that peace talks, when they occur, will occur with full consultation of the USG.

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POINT 5: ECONOMIC COOPERATION  
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¶16. (C) This is by far the most detailed area of the October 4 Declaration and underscores the commitment of both sides to intensify North-South economic cooperation, chiefly by advancing several major investment and business projects in North Korea. These projects meet multiple mutually-accepted goals that move beyond building "mutual respect and trust" to boot-strap North Korea's badly decaying infrastructure; improve the living standards of North Korean workers involved in projects; carve out new economic zones that reduce military tensions on the West Sea coast; and increase North Korea's connections with the outside world through new, albeit strictly delimited transport and communications links. Our ROKG contacts stressed to us in the Summit lead-up that their project list would include almost every practical "gleam in their eyes," and the final declaration did not disappoint: the potential value of these projects totals over USD 8 billion.

¶17. (C) Rather than see this as a list of give-away projects to the North, a MOFAT official told us, the projects should be seen as "political and symbolic...an expression of intent only." Clearly, this area will require extensive follow-up and funding discussions. Hence, he said, MOFAT and MOU officials are trying to make what progress they can on filling in the details of what those projects would entail, and planning for follow-up South-North discussions, but will realistically aim to hand over their portfolios to the next government (with continuity expected among working level officials).

¶18. (SBU) Key economic projects include:

--a new economic zone similar to Kaesong Industrial Complex (KIC) at Haeju, a harbor city between Nampo and Incheon on the western coast, potentially creating a new sea link for the KIC.

--an acceleration of the second development phase at the KIC itself. This second stage would ramp up industrial infrastructure and boost North Korean job opportunities from the current 17,000 to 40,000 thousand workers by 2008. In addition, rail lines from Kaesong to Pyongyang and Shinuiju (on the North's Chinese border) would be modernized, the Kaesong-Munsan train freight link opened, cross-border travel and internet restrictions eased, and KIC products permitted to be sold in the DPRK, further strengthening the KIC's potential as a manufacturing zone.

--"the West Sea Special Zone for Peace and Cooperation" establishing a common fisheries area, facilitating joint exclusion of illegal Chinese fishing, and permitting commercial vessel passages though an area containing both disputed territory and the Northern Limit Line. A MOFAT official told us that discussions are extremely preliminary, with the South envisioning roughly equal-sized zones above and below the NLL which happen to be rich fishing grounds, meeting the North's requirement that the zones not be drawn as equal areas on both sides of the (for the North, illegitimate) NLL. He added that the ROKG had sweetened the pot with many other economic projects to get the North to

agree, at least in principle, to this arrangement that preserves the NLL.

--two ship-building complexes to be jointly built at Nampo on the western coast and Anbyon on the eastern coast, drawing on South Korean expertise.

--South Korea's Hyundai Asan (HA) in charge of the Mt. Kumgang tourism project and KIC construction received a special fillip: agreement to offer a new tourist program to Mt. Baekdu including direct air travel between Seoul and the mountain. (South Koreans currently travel there from China.) HA is also slated to be the first South Korean firm to travel back to Pyongyang later this month, chiefly to discuss expanding its Mt. Kumgang project and possible rail trips through North Korea to the Beijing Olympics.

--mutual aid in the event of natural disasters and several smaller cooperative projects in natural resource development, agriculture, medical services, and environmental protection.

¶19. (C) Clearly, the prioritization and implementation of this economic wish list will wait for the ROKG's newly elected President and National Assembly to sort out. In August, President Roh had publicly promised that he would not make any new commitments burdening the South Korean taxpayer, and the list may be carefully scrutinized through this prism in the lead-up to December 19 presidential election. However, the Roh administration will try to flesh out as many of these projects as possible before February, thereby making it harder to ignore "Roh's legacy" of engagement.

¶20. (C) One way in which the Roh administration is aiming to institutionalize continued progress on economic cooperation is by elevating the existing "inter-Korean Economic Cooperation Steering Committee" into a Deputy Prime Minister-level "Inter-Korean Economic Cooperation Joint Committee," agreed upon in the Joint Declaration. Both the DPRK and ROK Prime Ministers are slated to preside over its first meeting in Seoul in November. This meeting would be the first such North-South discussion held in the South Korean capital and, as such, may well capture public's attention more vividly than the Pyongyang Summit.

¶21. (C) In addition, the Roh government has front-loaded substantial inter-Korean project funding into the 2008 budget, widely expected to be adopted by the National Assembly before the end of this year. The budget hikes inter-Korean project funding from 500 billion won (USD 540 million) to 750 billion won (USD 800 million) next year, while humanitarian aid rises by 14 percent to 350 billion won (USD 375 million). An additional 430 billion won (USD 460

million) will be set aside for South Korean firms involved in implementing inter-Korean projects, according to contacts at the Ministries of Unification and Finance. Unspent funds from previous fiscal years are also available, putting much more than the total of 1.53 trillion won (USD 1.6 billion) at the disposal of ROKG engagement architects.

¶22. (C) President Roh brought along eighteen top "chaebol" executives including the CEOs of the Hyundai-Kia Auto Group, LG, SK, Samsung, POSCO, Hyundai Asan, and Daewoo Shipbuilding. The group toured North Korea's loss-ridden Pyeonghwa car factory that makes Fiat model cars under a joint venture with Reverend Moon's Unification Church, and toured the Western Sea dam and KIC with President Roh. Hyundai Asan's CEO Yoon Man-joon, who was upbeat that the Summit would generate a new wave of tourism, told us that the executives had pressed DPRK officials to move more rapidly to a market-based economy, but a MOFAT official said that the contacts between the businesspeople and their DPRK interlocutors were not very substantive.

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POINT 6: SOCIAL/CULTURAL EXCHANGES AND COOPERATION  
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¶23. (SBU) This point calls for more social/cultural (personal) exchanges and cooperation and mentions specific



fields/sectors of cooperation including history, language, education, science and technology, culture and arts, and sports. A MOFAT official involved in summit planning told us that the point was strictly a feel-good statement, with no supporting work underway.

¶24. (SBU) Direct flights between Seoul and Mt. Baekdu for tourism are envisioned, which would be a starting point for inter-Korean air traffic cooperation. Hyundai Asan )- which had pursued the Mt. Baekdu tourism project with the Korea National Tourism Organization since 2005 )- is hoping that the recent agreement will remove the political barriers that have prevented the project from getting off the ground. However, a Hyundai Asan official acknowledged that some remaining obstacles plan would be expanding the Samjiyeon Airport (near Mt. Baekdu) and repaving the landing strip at the airport, raising funding questions.

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Point 7: HUMANITARIAN COOPERATION  
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¶25. (C) The significant area here is the DPRK agreement to allow more family reunions, with a joint ROK-DPRK reunion staff to be posted at Mt. Kungang's reunion center, now under construction. A glaring omission from this section, and from the Declaration as a whole, is the ROK abduction issue, which the ROKG has long ignored in deference to the North. Roh apparently raised the issue of Japanese abductees, at the GOJ's request, but did not press on the estimated 480 ROK post-war abductees, mostly fishermen taken in the 1960s.

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Point 8: COOPERATION ON INTERESTS OF KOREAN PEOPLE  
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¶26. (SBU) There has been no mention of this issue during summit preparation or during the summit, as far as we know.

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FOLLOW-UP MEETINGS  
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¶27. (C) An important aspect of the Declaration, in keeping with its status as a letter of intent rather than a done deal, is that the South and North will follow up on important issues: ROK Prime Minister Han Duk-soo is slated to meet the DPRK's Kim Yong-il in November, with economic ministers expected to join, and Defense Minister meetings are also planned for November.

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COMMENT  
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¶28. (C) The October 4 Declaration is detailed, conveying the first impression that Roh did indeed make too many commitments in Pyongyang, economically, while also suggesting

that the ROKG is ready to get ahead of the denuclearization process in declaring peace on the peninsula. However, we should see the Declaration not as a report about what was achieved at the summit -- where the dynamics were frosty -- but instead as President Roh's swan song, with implementation of each step subject to political approval and actual funding. But we should not dismiss the Declaration as too late, because its blueprint for peace and broad economic cooperation with the North is one that the ROK public, largely not interested in early unification, sees as realistic.

VERSHBOW